

**REPORT OF THE AUDIT OF THE
BOONE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2006**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE BOONE COUNTY FISCAL COURT

June 30, 2006

The Auditor of Public Accounts has completed the audit of the Boone County Fiscal Court for fiscal year ended June 30, 2006. We have issued an unqualified opinion on the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information, based on our audit and the reports of other auditors.

We did not audit the financial statements of the Boone County Public Properties Corporation, the Boone County Public Properties Golf Course, and the Boone County Assisted Housing Department. Furthermore, we did not audit the financial statements of the Boone County Public Safety Communications Center, a discretely presented component unit. Those financial statements were audited by other auditors, and our opinion, insofar as it relates to the amounts included for the Boone County Public Properties Corporation, the Boone County Public Properties Golf Course, the Boone County Assisted Housing Department, and the Boone County Public Safety Communications Center, is based on the reports of the other auditors.

Financial Condition:

The fiscal court had total net assets of \$195,385,182 as of June 30, 2006. The fiscal court had unrestricted net assets of \$22,856,024 in its governmental activities as of June 30, 2006, with total net assets of \$194,510,340. In its business-type activities, total net cash and cash equivalents were \$1,075,863 with total net assets of \$874,842. The fiscal court's discretely presented component unit had net assets of \$937,931 as of June 30, 2006. The discretely presented component unit had net cash and cash equivalents of \$715,340. The fiscal court had total debt principal as of June 30, 2006 of \$59,420,670 with \$5,324,144 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2006 of \$727,736 with \$488,322 due within the next year.

Deposits:

The fiscal court and component units' deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Boone County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boone County Public Properties Corporation, the Boone County Public Properties Corporation Golf Course, and the Boone County Assisted Housing Department which represents the following percentages of assets and revenues: Boone County Public Properties Corporation - 4% of the assets and 11% of the revenues of the aggregate remaining fund information, Boone County Public Properties Corporation Golf Course - 82% of the assets and 31% of the revenues of the business-type activities, and Boone County Assisted Housing Department - 17% of the assets and 65% of the revenues of the business-type activities. Furthermore, we did not audit the financial statements of the Boone County Public Communications Center, a discretely presented component unit, which represents 100 percent of the assets and revenues of the discretely presented component opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boone County Public Properties Corporation, the Boone County Public Properties Corporation Golf Course, the Boone County Assisted Housing Department, and the Boone County Public Communications Center, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of June 30, 2006, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
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Members of the Boone County Fiscal Court

The management's discussion and analysis, budgetary comparison information, and the condition rating of the County's street system are not a required part of the basic financial statements but are supplementary information required by Generally Accepted Accounting Principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boone County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2008 on our consideration of Boone County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

May 13, 2008

BOONE COUNTY OFFICIALS

For The Year Ended June 30, 2006

Fiscal Court Members:

Gary W. Moore	County Judge/Executive
Cathy H. Flaig	Commissioner
Terri Moore	Commissioner
Charles E. Kenner, DMD	Commissioner

Other Elected Officials:

J.R. Schrand	County Attorney
Edward Prindle	Jailer
Rena Ping	County Clerk
Pat Gutzeit	Circuit Court Clerk
Michael A. Helmig	Sheriff
Cindy Rich	Property Valuation Administrator
Douglas M. Stith	Coroner

Appointed Personnel:

Lisa H. Buerkley	County Treasurer
Gregory V. Sketch	County Engineer

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited**

Our management's discussion and analysis (MD&A) of Boone County's financial performance provides this narrative overview and analysis of the County's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the County's financial statements that begin on page 14.

Financial Highlights

- As of June 30, 2006, Boone County's total net assets were \$195,385,182, which is an 8% increase from prior year. As total current assets of \$23,009,608 decreased by \$1,718,773, non-current assets increased by 7% or \$16,075,232.
- Program revenues offset 48% of Boone County's \$44,955,367 in total governmental activity expenses. Program revenues consist of grants, contributions and charges for services that the County is collecting in order to compensate using tax revenue. This percentage has decreased from the previous year mainly due to the fact that the capital grant and contribution program revenues had donated roads in that category last year and is placed in general revenue this year. Even with this change of over \$6 million deleted from the capital contributions there was only a 6% decrease from FY05. Without this accounting change, the program revenues showed an 18% increase due to federal and state jail fees increasing from our new jail facility and nearly \$4 million in federal or state capital grants for Homeland Security and water lines.
- Boone County's total indebtedness at the close of the fiscal year was \$59,420,670, of which \$5,324,144 is short term (to be paid in full within one year).
- The County through budgeted expenditures or grants received spent approximately \$10,000,000 on capital projects; including roads, buildings, water expansion, and land for parks.
 - Renovations to the Administration Building and Animal Control at a cost of \$618,860 were part of the capital cost.
 - Petersburg Community Center, Library and Fire Department completed construction with funds being provided by a federal Community Development Block Grant, library and fire department donations.
 - Acquired over eighty-five acres in FY04, through purchase and donation, adjacent to Conrad Park for future expansion. This land is being paid over a seven-year period.
 - Burlington Sidewalks Phase I funded 80% by a federal grant totaling approximately \$165,000.
 - Engineering studies continue and more revenue secured for Industrial Road Improvements (construction to begin in October 2007) and South Airport Connector Road (design to be complete in fall 2008).
 - Water line expansions throughout rural Boone County were completed in FY06 at the cost of \$2,270,824.
 - A Homeland Security Grant was secured for a Regional Interoperable Communication System at the cost of \$2,845,000.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

Overview of the Financial Statements

The MD&A serves as an introduction to the County's basic financial statements, which consists of two government-wide financial statements and various fund financial statements. The County's financial statements and components are listed and explained below:

Government-Wide Financial Statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. The financial statements include all activities for which the Boone County Fiscal Court is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- Boone County Fiscal Court, including Boone County Assisted Housing
- Boone County Public Properties Corporation, including Boone County Public Golf Courses

The component unit presentation includes the following legal entity:

- Boone County Public Safety Communication Center

The financial information of the County "as a whole" is reported in the two government-wide financial statements (pages 14 through 18). One of the most important questions to ask is whether the County is in better financial shape as a result of the year's activities. The two government wide financial statements will help answer this question. These two statements report the County's net assets and changes in them. You can think of the County's net assets – the difference between assets and liabilities – as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base and the condition of the roads and other infrastructure, to assess the overall health of the County.

In the year ending June 30, 2004, the County converted the government wide financial statements from the modified cash basis of accounting to the accrual basis of accounting where revenues and expenses are recognized when earned or incurred regardless of the timing of cash flows. With this conversion the County is in compliance with generally accepted accounting principles.

In the Statement of Net Assets and the Statement of Activities, we divide the County into three types of activities: governmental, business and component unit.

- Governmental Activities – Most of the County's basic services are reported in this section, including police protection, roads and public works, parks, jail, emergency management, water rescue, building inspection, animal control, and social services. Governmental activities also include the general administration of the County, all capital projects and mental health, mental retardation and aging programs. These programs and services are funded 36% by program revenues, which include charges for services and federal, state and local operating and capital grants. These activities show an increase in net assets of nearly \$3.3 million or 18%, when you remove the accounting procedure change of transferring the donated assets of \$5,678,531 to the general revenue.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

Government-Wide Financial Statements (Continued)

- Business-Type Activities – The County has three business-type funds; the jail canteen, assisted housing, and golf course fund. Each of these funds charges a fee to customers to help cover the cost of these services. A small increase in net assets of over \$315,419 occurred mainly due to the Assisted Housing Fund.
- Component Unit Activities – Although the Public Safety Communications Center (PSCC) is a separate legal entity, the financial statements include its activities as a separate component unit since the County is financially accountable. PSCC is governed by a separate Board appointed by County and City officials. Boone County funds the operations of this entity at 75% and the capital at 100%.

Fund Financial Statements

The fund financial statements (pages 20 through 38) focus on the individual funds of the County's government. These fund financial statements report the County's operations in more detail than the government-wide statements by providing information about the County's most significant funds. The four funds deemed “major” are general, road and bridge, jail, and capital improvements funds.

- Governmental funds are used to report most of the County's basic services. These funds provide a short-term view of the County's operations. The County currently has ten governmental funds and adopts a budget for each except Public Properties, which has little activity. These funds provide the reader with information to help determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the difference between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on pages 22 and 27.
- Proprietary funds are used to report operations the County treats as business-type activities. The focus is to earn a profit or at least break-even. The County charges either outside customers or other units of government for services reported in these funds. The County currently has four proprietary funds; Jail Canteen Fund, Assisted Housing Fund, Golf Course Fund, and the Self Insurance Fund, which is presented as an Internal Service Fund.
- Fiduciary funds are used to account for assets held by the County in a trustee capacity or as an agent for another group or individual. Activities from these types of funds are not included in the government-wide financial statements because the County cannot use the assets from the funds in daily operations. The County currently has five fiduciary funds; Jail Prisoners Fund, School Board Tax Fund, Waterline Fund, Motor Vehicle Rental Tax Fund, and Flexible Spending Account.

Notes to the Financial Statements

The notes to the financial statements (pages 40 through 68) provide expanded explanation about the government-wide and fund financial statements and are essential to the reader in obtaining a better understanding of the information provided within the financial statements.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

Required Supplementary Information

The budgetary comparison schedules (pages 70 through 72) for the general fund and two major special revenue funds provide information that supplements the government-wide and fund financial statements.

Other required information is the Condition Rating of the County's Road System. The Public Works Department is utilizing the modified approach method in valuing the County's maintained road system. The modified approach establishes a minimum condition level set for all Boone County maintained roads. The Public Works Department will maintain the necessary condition level through its Pavement Management Program which establishes a Pavement Quality Index (PQI) when the roads are analyzed (every 3 to 4 years) on a range from 2.0 to 10.0. The County has and will continue its commitment to preserve and maintain the road system at a level of at least 7.0 on all collector roads and 6.0 on other local roads. Using this approach, the roads will maintain the asset value of construction or historic cost, whichever is available, and will not depreciate each year. The dollar value of the road will not increase unless the level of service is improved. Each year the Public Works Department will be responsible for maintaining this condition level and the Fiscal Court will be responsible for budgeting annually the estimated amount to expend for maintaining all roads at that level. When a road/street is scheduled to fall below the minimum PQI in a given fiscal year, the road/street will be listed to be rehabilitated in that year and placed on the yearly paving list submitted to the Court through the budget process. The PQI is upgraded upon rehabilitation and by doing this the County fulfills the requirements of the Modified Approach.

Supplementary Information

The Combining Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds (pages 77 through 81) present the activities of the non-major governmental funds.

The Schedule of Expenditures of Federal Awards (pages 85-86) provides information required pursuant to the Office of Management and Budget (OMB) Circular A-133 of all federal grant money received by the County.

Basis of Accounting for Governmental Funds

The County has converted all fund financial information to the modified accrual basis of accounting as required by generally accepted accounting principles (GAAP). Under this basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred. In previous years, certain assets such as accounts receivable and certain liabilities such as accounts payable were not recorded in the financial statements, therefore limiting the reader of the full effect of the financial statements. The Boone County budget is adopted on a cash basis of accounting, which is required by the Kentucky Constitution. The schedule on page 73 and 74 reconciles the actual results of the cash basis budget and the modified accrual basis fund statements.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

Financial Analysis of the County as a Whole

The following sections provide condensed financial information derived from the two government-wide financial statements along with a comparison of the prior year.

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>
Current Assets	\$ 23,545,020	\$ 21,579,966	\$ 1,183,361	\$ 1,429,642	\$ 24,728,381	\$ 23,009,608
Non-Current Assets	214,135,528	230,618,398	6,399,959	5,992,321	220,535,487	236,610,719
Total Assets	<u>237,680,548</u>	<u>252,198,364</u>	<u>7,583,320</u>	<u>7,421,963</u>	<u>245,263,868</u>	<u>259,620,327</u>
Current Liabilities	15,562,331	6,903,380	1,306,419	894,556	16,868,750	7,797,936
Long-Term Liabilities	42,369,866	50,784,644	5,717,478	5,652,565	48,087,344	56,437,209
Total Liabilities	<u>57,932,197</u>	<u>57,688,024</u>	<u>7,023,897</u>	<u>6,547,121</u>	<u>64,956,094</u>	<u>64,235,145</u>
Net Assets:						
Invested in capital assets, net of related debt	157,019,897	171,654,316	573,593	738,929	157,593,490	172,393,245
Restricted			275,707	304,044	275,707	304,044
Unrestricted	<u>22,728,454</u>	<u>22,856,024</u>	<u>(289,877)</u>	<u>(168,131)</u>	<u>22,438,577</u>	<u>22,687,893</u>
Total Net Assets	<u>\$179,748,351</u>	<u>\$194,510,340</u>	<u>\$ 559,423</u>	<u>\$ 874,842</u>	<u>\$180,307,774</u>	<u>\$195,385,182</u>

At June 30, 2006, the County's assets exceeded its liabilities by \$195,385,182, an increase of 8.4% from the prior year. The majority of the County's assets (88%) are invested in capital assets, which include land, buildings, infrastructure, equipment and vehicles. These assets are listed under the non-current assets section as capital and infrastructure assets. The unrestricted net asset amount of \$22,687,893 represents the amount the County can use to operate on a day-to-day basis to provide basic services and construction. The restricted amount under business activities of \$304,044 is Assisted Housing Reserve for renovations of their offices, which was set aside for a specific project per the Department of Housing and Urban Development (HUD).

In comparing the Statement of Net Assets to the prior year, there are three areas with major variances.

- The large variance between the current liabilities under governmental activities occurred due to a bond defeasance in which dollars have been held in escrow for several years. This bond which was for the sewer infrastructure was refinanced in 2003 but could not be defeased until 2006 and the dollars held in escrow. This was paid in full in FY06.
- In governmental activity, an increase in capital assets of 6.3% or nearly \$14,000,000 was mainly due to over \$7,000,000 in donated subdivision streets during FY06. The remainder of the increase was due construction of Phase II rural water expansion, renovations to the Administration Building, Petersburg Community Center, Homeland Security equipment and new vehicles and operating equipment.
- In the business activity, an increase in net assets of approximately \$315,419 occurred due to current assets of Assisted Housing and Golf Course Funds increasing. Also, the beginning net asset balance was restated to exclude the Self Insurance Fund. This fund was included as an enterprise fund in error in the prior year and has been presented as an Internal Service Fund in the current year.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

Financial Analysis of the County as a Whole (Continued)

Statement of Activities

	<u>Governmental Activities</u>		<u>Business Activities</u>		<u>Total</u>	
	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>
Revenues:						
<u>Program Revenues:</u>						
Charges for Services	\$ 3,667,120	\$ 5,102,730	\$ 2,555,384	\$ 2,627,284	\$ 6,222,504	\$ 7,730,014
Operating Grants and Contributions	10,191,517	9,886,987	5,129,040	5,115,967	15,320,557	15,002,954
Capital Grants and Contributions	4,229,261	6,538,348			4,229,261	6,538,348
<u>General Revenue:</u>						
Taxes	28,867,748	28,549,810			28,867,748	28,549,810
License Fees and Permits	306,949	712,913			306,949	712,913
Excess Fees	672,396	620,550			672,396	620,550
Investment Earnings	648,717	765,644	22,450	50,610	671,167	816,254
Gain on Donated Roads	5,678,531	7,457,070			5,678,531	7,457,070
Gain On Sale Of Assets		9,307		15,649		24,956
Reimbursements	2,050	13,048			2,050	13,048
Rental/Income	33,932	41,461			33,932	41,461
Miscellaneous Revenues	(45,380)	19,488			(45,380)	19,488
Total Revenues	54,252,841	59,717,356	7,706,874	7,809,510	61,959,715	67,526,866
Expenses						
General Government	17,631,164	17,137,180			17,631,164	17,137,180
Protection to Persons and Property	11,354,604	11,901,597			11,354,604	11,901,597
General Health and Sanitation	1,765,992	1,835,092			1,765,992	1,835,092
Social Services	1,019,091	1,066,175			1,019,091	1,066,175
Recreation and Culture	1,867,566	1,773,785			1,867,566	1,773,785
Roads	6,960,406	5,914,884			6,960,406	5,914,884
Capital Improvements	1,997,891	3,132,927			1,997,891	3,132,927
Interest on Long-Term Debt	2,669,309	2,193,727			2,669,309	2,193,727
Jail Canteen Fund			181,233	245,572	181,233	245,572
Golf Course Fund			2,631,168	2,559,941	2,631,168	2,559,941
Assisted Housing Fund			5,132,651	4,688,578	5,132,651	4,688,578
Total Expenses	45,266,023	44,955,367	7,945,052	7,494,091	53,211,075	52,449,458
Change in Net Assets	8,986,818	14,761,989	(238,178)	315,419	8,748,640	15,077,408
Net Assets July 1, 2005	172,237,988	179,748,351	811,908	559,423	173,049,896	180,307,774
Prior Period Adjustment	(1,476,455)		(14,307)		(1,490,762)	
Net Assets June 30, 2006	\$179,748,351	\$194,510,340	\$ 559,423	\$ 874,842	\$180,307,774	\$195,385,182

During FY 2006, net assets increased by \$14,761,989 or 8% for governmental activities and increased by \$315,419 or 6% for business-type activities. The business-type activity of Assisted Housing and Jail Canteen changed positively but the Golf Course had losses for the year.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

Financial Analysis of the County as a Whole (Continued)

The total revenues for both activities increased by 9% and expenses decreased by 1%, which resulted in the large net asset increase. The revenue increased by over \$5 million dollars over the fiscal year due to the following:

- Increase of approximately \$1.5 million in Charges for Services and \$2.3 million in Capital Grants and contributions.
- Donated roads to the County increased by 31%, or \$1.78 million.

Program revenues for the governmental activities were 36% of total revenue received. This explains that 36% of the revenues collected went directly to funding specific programs and offset the amount of general revenue needed for these programs. General revenues consist of all taxes, excess fees, borrowed money, donated roads and investment earnings, which cannot be directly traced to a function.

General government and administration is the largest user of the general revenue category. This function includes most departments' salaries and fringes, debt service and all contractual agreements, such as TANK and the Public Safety Communication Center. Two other major users of general revenue are the protection to persons and property (sheriff's department, jail, emergency management and building inspections) and roads, which contain the maintenance and upgrades to the County's road system, along with snow removal, storm sewer maintenance and the daily operations of the Public Works Department.

One function looks to be substantially self-supporting; general health and sanitation. The general health and sanitation is due to the collection of the sewer surcharge, which the expense is solely used for debt service payments on the sewer system. The debt service is to be paid in full and the surcharge will be eliminated in December 2006.

Financial Analysis of the County's Funds

Fund financial statements generally distinguish between major and non-major funds with major funds presented individually. The County has four major funds; general, road and bridge, jail, and capital improvements. The County's governmental funds reflect a combined fund balance of \$23,573,546, of which \$20,093,993 is unreserved to be used for day-to-day operations. The fund financial statements for the governmental funds can be found on pages 20-27. The decrease in the Capital Improvements Fund of \$876,646 million is due to construction dollars spent and buildings completed and becoming an asset.

The County's proprietary funds' statements are shown on pages 29 through 36 with total net assets of \$874,842 a small increase from the previous year. The current year's net operating income at the golf course was \$72,119, but after expending the interest expense from the bonds, the net assets decreased by \$263,938, which leaves their fund balance in the negative by \$237,159. The self-insurance fund ended in the negative after a high claimant year of over \$400,000. The jail canteen fund's net assets ended with \$42,003 and Assisted Housing's fund net assets were \$1,069,998.

The County has five fiduciary funds, jail prisoners' fund, waterline fund, motor vehicle rental tax fund, school board tax fund, and flexible spending account for which the statements are shown on page 38 & 83. These monies are restricted and we exclude them from the other statements because the County cannot use these assets to finance operations.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

General Budgetary Highlights

There were no amendments to Boone County's budget in Fiscal Year 2006 although the County made various line item transfers within the budget to increase/decrease certain line items. Some transfers were inter-fund transfer but have no effect on the budget's bottom line. Throughout the year, general fund revenues collected were over budget by 1% or \$234,548 and operating expenses were below budget by \$4,429,641 or 13%.

Capital Assets and Debt Administration

Capital Assets

At the end of Fiscal Year 2006, the government activities of the County had \$226,589,487 invested in a broad range of capital assets, including land, roads, water lines, buildings, equipment and vehicles. As shown in the chart below, the amount represents a net increase (including additions and deductions) of approximately \$13.5 million, or 6.3%, on governmental activities and a decrease of \$337,885, or a negative 6%, on business activities from the previous year. The governmental activities show such a large increase due to over \$7 million in donated roads to the County. The business activities are showing a decrease due to the Golf Course having a very limited capital budget for the past several years.

Capital Assets, net of Accumulated Depreciation

	<u>Governmental Activities</u>		<u>Business Activities</u>	
	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>
Land	\$ 10,605,448	\$ 10,825,300	\$ 2,396,478	\$ 2,396,478
Roads, modified approach (not depr.)	144,340,764	151,577,982		
Other Infrastructure	108,186	101,204		
Land Improvements	8,017,122	7,667,988	2,073,905	1,791,142
Building and Improvements	45,778,543	45,832,929	1,068,123	993,073
Construction In Progress	1,065,599	4,292,899	9,071	
Vehicles, Machinery and Equipment	2,882,930	5,680,726	14,737	26,124
Furniture and Office Equipment	338,560	610,459		17,611
Totals	<u>\$ 213,137,152</u>	<u>\$ 226,589,487</u>	<u>\$ 5,562,314</u>	<u>\$ 5,224,428</u>

A more detailed breakdown of the capital assets and depreciation can be found in Note 6 of the Notes to the Financial Statements, pages 53 through 56. The year brought about more than \$13 million in additional capital projects; such as, renovations to the Administration Building and Animal Control, \$2.2 million in water lines to rural Boone County and Homeland Security Equipment of nearly \$3 million. The increase in roads of over \$7 million dollars is the result of donated roads from subdivision developers.

**BOONE COUNTY FISCAL COURT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2006
Unaudited
(Continued)**

Debt

At June 30, 2006, the County had \$59,420,670 in bonds, leases, notes payable, and other financing obligations outstanding versus \$61,437,706 last year, a decrease of 3% - as shown in the chart below. There was one new general obligation bond issued during FY06 for \$2,200,000 for the Petersburg Community Center, Fire Department and Library. This debt service is mainly paid by the Petersburg Fire Department and the asset will be theirs when the it is paid in full.

	Outstanding Debt at Year-End			
	<u>Governmental</u>	<u>Activities</u>	<u>Business Activities</u>	
	<u>FY05</u>	<u>FY06</u>	<u>FY05</u>	<u>FY06</u>
General Obligation Bonds (backed by the County)	\$ 39,990,000	\$ 38,610,000	\$	\$
Revenue Bonds and Notes (backed by specific tax or fee revenues)	13,880,000	13,360,000	4,960,000	4,425,000
Notes Payable (backed by the County)	2,218,986	1,800,453		
Capital Lease Payable	360,000	306,000	28,720	60,499
KIA Revolving Loan		858,718		
Totals	<u>\$ 56,448,986</u>	<u>\$ 54,935,171</u>	<u>\$ 4,988,720</u>	<u>\$ 4,485,499</u>

The County's general obligation bond rating is Aa2, a rating that has been assigned by national rating agency, Moody's Rating Service. The Kentucky Revised Statutes provide that a county will not incur net indebtedness for all purposes that exceed an amount equal to two percent (2%) of the value of the taxable property within the County's limits. According to Boone County's 2007 assessment this 2% total direct debt limitation is more than \$247 million dollars, which far exceeds the County's outstanding debt.

Economic Factors and Next Year's Budget

While establishing the FY2007 budget, the administration was very conservative in regards to projecting tax revenue due to the downturn in the economy. Even though the County's tax base continues to grow, the demand for services and programs the County is expected to provide is growing at a more rapid pace. At this time, the County does expect to borrow \$7 million dollars in FY07 for Public Works renovations and a Fire Training Center in which \$2.5 million will be paid by the fire departments. No other significant changes are expected from FY2006 to FY2008.

Requests for Information

This financial report is designed to provide a general overview of Boone County's Financial Statements for all interested in the government's finances. Questions concerning any of the information provided in this or requests for additional financial information should be addressed to the Boone County Treasurer, PO Box 960 (2950 Washington), Burlington, KY 41005.

**BOONE COUNTY
STATEMENT OF NET ASSETS**

June 30, 2006

BOONE COUNTY
STATEMENT OF NET ASSETS

June 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Boone County Public Safety Communications Center
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 7,796,474	\$ 1,075,863	\$ 8,872,337	\$ 715,340
Investments	6,630,179		6,630,179	
Inventory		42,485	42,485	
Accounts Receivable	6,984,937	238,011	7,222,948	159,294
Deferred Charges	2,683	73,283	75,966	
Notes Receivable, Due Within One Year	165,693		165,693	
Total Current Assets	21,579,966	1,429,642	23,009,608	874,634
Noncurrent Assets:				
Capital Assets - Net of Accumulated Depreciation				
Land	10,825,300	2,396,478	13,221,778	
Land Improvements	7,667,988	1,791,142	9,459,130	
Buildings and Building Improvements	45,832,929	993,073	46,826,002	
Machinery and Equipment	3,653,207	26,124	3,679,331	6,535
Furniture and Office Equipment	610,459	17,611	628,070	937,507
Vehicles	2,027,519		2,027,519	1,981
Construction In Progress	4,292,899		4,292,899	
Infrastructure Assets - Net of Depreciation	151,679,186		151,679,186	
Restricted Cash	47,179	334,300	381,479	
Deferred Charges	55,707	433,593	489,300	
Interfund Receivables	1,610,718		1,610,718	
Notes Receivable, Due In More Than One Year	2,315,307		2,315,307	
Total Noncurrent Assets	230,618,398	5,992,321	236,610,719	946,023
Total Assets	252,198,364	7,421,963	259,620,327	1,820,657
LIABILITIES				
Current Liabilities:				
Compensated Absences Payable	2,349		2,349	12,087
General Obligation Bonds Payable	3,730,000		3,730,000	455,000
Revenue Bonds Payable	540,000	560,000	1,100,000	
Notes Payable	422,475		422,475	33,322
Capital Lease Payable	57,000	14,669	71,669	
Accounts Payable	1,578,352	112,724	1,691,076	67,717
Accrued Payroll	222,019	14,735	236,754	35,839
Accrued Interest	351,185	25,463	376,648	1,834
Accrued Other		166,965	166,965	
Total Current Liabilities	6,903,380	894,556	7,797,936	605,799

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF NET ASSETS
June 30, 2006
(Continued)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Boone County Public Safety Communications Center
LIABILITIES (Continued)				
Noncurrent Liabilities:				
Compensated Absences Payable	\$ 598,948	\$ 131,017	\$ 729,965	\$ 37,513
Interfund Payables		1,610,718	1,610,718	
General Obligation Bonds Payable	34,880,000		34,880,000	205,000
Revenue Bonds Payable	12,820,000	3,865,000	16,685,000	
Notes Payable	1,377,978		1,377,978	34,414
Capital Lease Payable	249,000	45,830	294,830	
KIA Revolving Loan	858,718		858,718	
Total Noncurrent Liabilities	<u>50,784,644</u>	<u>5,652,565</u>	<u>56,437,209</u>	<u>276,927</u>
Total Liabilities	<u>57,688,024</u>	<u>6,547,121</u>	<u>64,235,145</u>	<u>882,726</u>
NET ASSETS				
Invested in Capital Assets,				
Net of Related Debt	171,654,316	738,929	172,393,245	218,287
Restricted		304,044	304,044	
Unrestricted	22,856,024	(168,131)	22,687,893	719,644
Total Net Assets	<u>\$ 194,510,340</u>	<u>\$ 874,842</u>	<u>\$ 195,385,182</u>	<u>\$ 937,931</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006

**BOONE COUNTY
STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2006

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 17,137,180	\$ 551,233	\$ 975,655	\$ 317,190
Protection to Persons and Property	11,901,597	3,551,511	2,001,946	2,868,571
General Health and Sanitation	1,835,092	75,653	3,490,709	412,747
Social Services	1,066,175	27,666	838,427	
Recreation and Culture	1,773,785	165,487	109,351	21,800
Roads	5,914,884	731,180	1,097,600	1,918,040
Debt Service	2,193,727		1,373,299	
Capital Projects	3,132,927			1,000,000
Total Governmental Activities	44,955,367	5,102,730	9,886,987	6,538,348
Business-type Activities:				
Jail Canteen	245,572	283,367		
Golf Course	2,559,941	2,343,917		
Assisted Housing	4,688,578		5,115,967	
Total Business-type Activities	7,494,091	2,627,284	5,115,967	
Total Primary Government	\$ 52,449,458	\$ 7,730,014	\$ 15,002,954	\$ 6,538,348
Component Unit:				
Boone County Public Safety Communications Center	\$ 3,645,353	\$ 1,282,071	\$ 2,269,076	\$
Total Component Units	\$ 3,645,353	\$ 1,282,071	\$ 2,269,076	\$ 0

General Revenues:

Taxes:

 Property Taxes

 Occupational Taxes

 In Lieu Of Taxes

Reimbursements

License Fees and Permits

Excess Fees - County Clerk, County Attorney

Rental Income

Miscellaneous Revenues

Unrestricted Investment Earnings

Gain On Sale Of Assets

Gain On Acquisition Of Donated Assets

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2006
(Continued)

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-Type Activities	Totals	Component Unit
\$ (15,293,102)	\$	\$ (15,293,102)	\$
(3,479,569)		(3,479,569)	
2,144,017		2,144,017	
(200,082)		(200,082)	
(1,477,147)		(1,477,147)	
(2,168,064)		(2,168,064)	
(820,428)		(820,428)	
(2,132,927)		(2,132,927)	
(23,427,302)		(23,427,302)	
	37,795	37,795	
	(216,024)	(216,024)	
	427,389	427,389	
	249,160	249,160	
(23,427,302)	249,160	(23,178,142)	
			(94,206)
			\$ (94,206)
11,480,495		11,480,495	
16,980,469		16,980,469	
88,846		88,846	
13,048		13,048	
712,913		712,913	
620,550		620,550	
41,461		41,461	
19,488		19,488	1,185
765,644	50,610	816,254	22,361
9,307	15,649	24,956	
7,457,070		7,457,070	
38,189,291	66,259	38,255,550	23,546
14,761,989	315,419	15,077,408	(70,660)
179,748,351	559,423	180,307,774	1,008,591
\$ 194,510,340	\$ 874,842	\$ 195,385,182	\$ 937,931

The accompanying notes are an integral part of the financial statements.

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BOONE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

BOONE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2006

	General Fund	Road And Bridge Fund	Jail Fund	Capital Improvements Fund
ASSETS				
Cash and Cash Equivalents	\$ 6,050,256	\$ 367,976	\$ 187,522	\$ 76,755
Investments	2,211,972			4,417,556
Notes Receivable	906,000			\$ 1,575,000
Accounts Receivable	5,145,371	592,114	686,763	
Due From Boone County Golf Course	1,460,718			
Due From The Federal Grants Fund				73,974
Restricted Cash	47,179			
Total Assets	<u>\$ 15,821,496</u>	<u>\$ 960,090</u>	<u>\$ 874,285</u>	<u>\$ 6,143,285</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 190,499	\$ 210,039	\$ 103,761	\$ 477,021
Accrued Payroll	128,842	45,379	47,798	
Compensated Absences Payable	342,904	191,128	67,265	
Deferred Revenue				
Due To The Capital Improvements Fund				
Total Liabilities	<u>662,245</u>	<u>446,546</u>	<u>218,824</u>	<u>477,021</u>
FUND BALANCES				
Reserved for:				
Debt Service	2,211,972			1,220,402
Other Accounts	47,179			
Unreserved:				
General Fund	12,900,100			
Special Revenue Funds		513,544	655,461	
Capital Projects Fund				4,445,862
Debt Service Fund				
Total Fund Balances	<u>15,159,251</u>	<u>513,544</u>	<u>655,461</u>	<u>5,666,264</u>
Total Liabilities and Fund Balances	<u>\$ 15,821,496</u>	<u>\$ 960,090</u>	<u>\$ 874,285</u>	<u>\$ 6,143,285</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 1,112,858	\$ 7,795,367
651	6,630,179
	2,481,000
560,689	6,984,937
150,000	1,610,718
	73,974
	47,179
<u>\$ 1,824,198</u>	<u>\$ 25,623,354</u>

\$ 171,198	\$ 1,152,518
	222,019
	601,297
73,974	73,974
<u>245,172</u>	<u>2,049,808</u>

	3,432,374
	47,179
	12,900,100
1,428,375	2,597,380
	4,445,862
150,651	150,651
<u>1,579,026</u>	<u>23,573,546</u>
<u>\$ 1,824,198</u>	<u>\$ 25,623,354</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006
(Continued)

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 23,573,546
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used In Governmental Activities Are Not Financial Resources And Therefore Are Not Reported In The Funds.	242,136,466
Accumulated Depreciation	(15,546,979)
Cost Associated With The Issuance Of Bonds Are Shown As Expenditures In The Fund Statements. For The Governmental Statements These Costs Are Capitalized And Amortized Over The Life Of The Bond	58,390
Internal Service Fund is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets and Liabilities Are Included in Governmental Activities on the Statement of Net Assets.	(424,727)
Long-Term debt Is Not Due And Payable In The Current Period And, Therefore, Is Not Reported In The Funds.	
Accrued Interest on Bonds	(351,185)
Bonds, Notes, Leases, and Loan Principal Payments, Due within One Year	(4,749,475)
Bonds, Notes, Leases, and Loan Principal Payments, Due in More than One Year	<u>(50,185,696)</u>
Net Assets Of Governmental Activities	<u><u>\$ 194,510,340</u></u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2006

BOONE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For The Year Ended June 30, 2006

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Jail Fund</u>	<u>Capital Improvements Fund</u>
REVENUES				
Taxes	\$ 28,133,661	\$	\$	\$
In Lieu Tax Payments	88,846			
Excess Fees	1,106,393			
Licenses and Permits	1,800,310	182,348		
Intergovernmental	2,307,610	2,135,539	3,158,280	1,516,450
Charges for Services	2,539,540	176,387	246,635	
Miscellaneous	698,151	505,009	149,107	14,567
Interest	584,686	27,442	4,386	180,760
Total Revenues	<u>37,259,197</u>	<u>3,026,725</u>	<u>3,558,408</u>	<u>1,711,777</u>
EXPENDITURES				
General Government	4,458,310			
Protection to Persons and Property	9,063,868		3,041,098	
General Health and Sanitation	446,819			
Social Services	407,434			
Recreation and Culture	1,657,302			
Roads		5,810,926		
Debt Service	5,506,512			
Capital Projects				6,166,603
Administration	11,642,348		702,542	
Total Expenditures	<u>33,182,593</u>	<u>5,810,926</u>	<u>3,743,640</u>	<u>6,166,603</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>4,076,604</u>	<u>(2,784,201)</u>	<u>(185,232)</u>	<u>(4,454,826)</u>
Other Financing Sources (Uses)				
Discount On Debt Issuance				(38,500)
Debt Issuance				3,058,718
Proceeds From Sale Of Capital Assets	17,169	25,108		
Transfers From Other Funds	283,960	2,985,000	700,000	557,962
Transfers To Other Funds	(3,968,960)			
Total Other Financing Sources (Uses)	<u>(3,667,831)</u>	<u>3,010,108</u>	<u>700,000</u>	<u>3,578,180</u>
Net Change in Fund Balances	408,773	225,907	514,768	(876,646)
Fund Balances - Beginning (Restated)	14,750,478	287,637	140,693	6,542,910
Fund Balances - Ending	<u>\$ 15,159,251</u>	<u>\$ 513,544</u>	<u>\$ 655,461</u>	<u>\$ 5,666,264</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For The Year Ended June 30, 2006
(Continued)

Non- Major Funds	Total Governmental Funds
\$ 1,949,532	\$ 30,083,193
	88,846
	1,106,393
	1,982,658
4,640,702	13,758,581
	2,962,562
8,519	1,375,353
63,114	860,388
<u>6,661,867</u>	<u>52,217,974</u>
	4,458,310
2,839,598	14,944,564
1,371,698	1,818,517
628,712	1,036,146
	1,657,302
238,948	6,049,874
1,168,719	6,675,231
	6,166,603
137,283	12,482,173
<u>6,384,958</u>	<u>55,288,720</u>
<u>276,909</u>	<u>(3,070,746)</u>
	(38,500)
	3,058,718
	42,277
	4,526,922
<u>(557,962)</u>	<u>(4,526,922)</u>
<u>(557,962)</u>	<u>3,062,495</u>
(281,053)	(8,251)
1,860,079	23,581,797
<u>\$ 1,579,026</u>	<u>\$ 23,573,546</u>

The accompanying notes are an integral part of the financial statements.

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**BOONE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For The Year Ended June 30, 2006

BOONE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(8,251)
--	----	---------

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		8,386,353
Depreciation Expense		(2,358,118)
Donated Assets		7,457,070
Book Value - Disposed Capital Assets		(32,970)
Internal Service Funds Are Used by Management to Charge		
the Cost of Health Insurance to Individual Funds. The Net Revenues		
(Expenses) of this Fund Are Reported with Governmental Activities.		(155,125)
The issuance of long-term debt (e.g. bonds, financing obligations) provides		
current financial resources to governmental funds, while repayment of principal		
on long-term debt consumes the current financial resources of Governmental		
Funds. These transactions, however, have no effect on net assets.		
Bond Issuance		(2,200,000)
KIA Revolving Loan		(858,718)
Capital Lease and Notes Payable Principal Payments		472,533
Bond Principal Payments		4,100,000
Changes In Compensated Absences		(40,785)
		<hr/>
Change in Net Assets of Governmental Activities	\$	<u><u>14,761,989</u></u>

The accompanying notes are an integral part of the financial statements.

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BOONE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2006

BOONE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Total	Self Insurance Fund
Assets					
Current Assets:					
Cash and Cash Equivalents	\$ 42,003	\$ 666,735	\$ 367,125	\$ 1,075,863	\$ 1,107
Inventory			42,485	42,485	
Accounts Receivable		238,011		238,011	
Deferred Charges			73,283	73,283	
Total Current Assets	<u>42,003</u>	<u>904,746</u>	<u>482,893</u>	<u>1,429,642</u>	<u>1,107</u>
Noncurrent Assets:					
Capital Assets:					
Land			2,396,478	2,396,478	
Land Improvements			5,523,656	5,523,656	
Building and Building Improvements			2,249,488	2,249,488	
Vehicles, Machinery, and Equipment			1,124,869	1,124,869	
Furniture and Office Equipment		63,446		63,446	
Less Accumulated Depreciation		(45,835)	(6,087,674)	(6,133,509)	
Net Capital Assets		17,611	5,206,817	5,224,428	
Restricted Cash		333,304	996	334,300	
Deferred Charges			433,593	433,593	
Total Noncurrent Assets		<u>350,915</u>	<u>5,641,406</u>	<u>5,992,321</u>	
Total Assets	<u>42,003</u>	<u>1,255,661</u>	<u>6,124,299</u>	<u>7,421,963</u>	<u>1,107</u>
Liabilities					
Current Liabilities:					
Revenue Bonds Payable			560,000	560,000	
Capital Lease Payable			14,669	14,669	
Accounts Payable		795	111,929	112,724	425,834
Accrued Payroll			14,735	14,735	
Accrued Interest			25,463	25,463	
Accrued Other		166,965		166,965	
Total Current Liabilities		<u>167,760</u>	<u>726,796</u>	<u>894,556</u>	<u>425,834</u>
Noncurrent Liabilities:					
Compensated Absences Payable		17,903	113,114	131,017	
Due To General Fund			1,460,718	1,460,718	
Due To Public Properties			150,000	150,000	
Revenue Bonds Payable			3,865,000	3,865,000	
Capital Lease Payable			45,830	45,830	
Total Noncurrent Liabilities		<u>17,903</u>	<u>5,634,662</u>	<u>5,652,565</u>	
Total Liabilities		<u>185,663</u>	<u>6,361,458</u>	<u>6,547,121</u>	<u>425,834</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2006
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>			<u>Governmental Activities - Internal Service Fund</u>	
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Total</u>	<u>Self Insurance Fund</u>
Net Assets					
Invested in Capital Assets,					
Net of Related Debt		17,611	721,318	738,929	
Restricted		304,044		304,044	
Unrestricted	42,003	748,343	(958,477)	(168,131)	(424,727)
Total Net Assets	\$ 42,003	\$ 1,069,998	\$ (237,159)	\$ 874,842	\$ (424,727)

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS

For The Year Ended June 30, 2006

BOONE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS

For The Year Ended June 30, 2006

	Business-Type Activities - Enterprise Funds			Governmental Activities- Internal Service Fund
	Jail Canteen Fund	Assisted Housing Fund	Golf Course Fund	Totals
Operating Revenues				
Governmental Grants	\$	\$ 5,051,579	\$	\$ 5,051,579
Canteen Receipts	283,367			283,367
Green Fees			1,583,684	1,583,684
Power Cart Rentals			589,029	589,029
Memberships			69,480	69,480
Commission			55,597	55,597
Pro Shop Sales and Pull Cart Rentals			121,092	121,092
Employer/Employee Contributions				4,400,270
Miscellaneous		64,388	11,695	76,083
Total Operating Revenues	283,367	5,115,967	2,430,577	7,829,911
Operating Expenses				
Cost of Merchandise Sold	206,797		86,660	293,457
Educational and Recreational	17,585			17,585
Administrative		561,946		561,946
Housing Assistance Payment		4,122,287		4,122,287
Salaries and Wages			880,454	880,454
Employee Benefits			243,608	243,608
Contract Services			24,053	24,053
Materials and Supplies			13,754	13,754
Golf Cart Lease			117,435	117,435
Utilities			204,262	204,262
Maintenance and Repairs			51,785	51,785
Fertilizer and Chemicals			231,975	231,975
Petroleum Products			54,934	54,934
Uniforms			7,773	7,773
Depreciation		4,345	403,150	407,495
Other Operating Expenses	21,190		38,615	59,805
Insurance Claims				4,568,971
Total Operating Expenses	245,572	4,688,578	2,358,458	7,292,608
Operating Income (Loss)	37,795	427,389	72,119	(168,701)

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
For The Year Ended June 30, 2006
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities- Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
Nonoperating Revenues (Expenses)					
Interest Income	\$ 1,349	\$ 40,705	\$ 8,556	\$ 50,610	\$ 13,576
Gain On Sale Of Equipment			15,649	15,649	
Interest Expense			(288,143)	(288,143)	
Total Nonoperating Revenues (Expenses)	<u>1,349</u>	<u>40,705</u>	<u>(263,938)</u>	<u>(221,884)</u>	<u>13,576</u>
Change In Net Assets	39,144	468,094	(191,819)	315,419	(155,125)
Total Net Assets - Beginning (Restated)	<u>2,859</u>	<u>601,904</u>	<u>(45,340)</u>	<u>559,423</u>	<u>(269,602)</u>
Total Net Assets - Ending	<u><u>\$ 42,003</u></u>	<u><u>\$ 1,069,998</u></u>	<u><u>\$ (237,159)</u></u>	<u><u>\$ 874,842</u></u>	<u><u>\$ (424,727)</u></u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For The Year Ended June 30, 2006

BOONE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

For The Year Ended June 30, 2006

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities- Internal Service Fund</u>
	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
Cash Flows From Operating Activities					
Receipts From Customers	\$ 283,367	\$	\$ 2,309,485	\$ 2,592,852	\$
Receipts From Commissions			121,092	121,092	
Receipts From Governmental Grants		5,051,579		5,051,579	
Receipts From Employees/Intergovernmental					4,400,270
Cost of Sales	(206,797)			(206,797)	
Educational and Recreational	(17,585)			(17,585)	
Payments To Suppliers		(4,122,287)	(809,753)	(4,932,040)	
Payments To Employees		(560,569)	(1,104,207)	(1,664,776)	
Payments For Claims					(4,607,813)
Miscellaneous	(21,190)	75,077		53,887	
Net Cash Provided By Operating Activities	37,795	443,800	516,617	998,212	(207,543)
Cash Flows From Noncapital Financing Activities					
Proceeds From Other Funds			450,000	450,000	
Net Cash Provided By Noncapital Financing Activities			450,000	450,000	
Cash Flows From Capital and Related Financing Activities					
Proceeds On Sale Of Capital Assets			15,648	15,648	
Purchase Of Capital Assets		(12,885)	(15,649)	(28,534)	
Payments On Bond Obligations			(535,000)	(535,000)	
Payments On Capital Lease Obligations			(9,296)	(9,296)	
Interest Paid On Long-Term Debt			(217,803)	(217,803)	
Net Cash (Used) Provided By Capital and Related Financing Activities		(12,885)	(762,100)	(774,985)	
Cash Flows From Investing Activities					
Interest Earned	1,349	26,675	8,556	36,580	13,575
Net Cash Provided By Investing Activities	1,349	26,675	8,556	36,580	13,575
Net Increase (Decrease) in Cash and Cash Equivalents	39,144	457,590	213,073	709,807	(193,968)
Cash and Cash Equivalents - July 1, 2005	2,859	209,145	154,052	366,056	195,075
Cash and Cash Equivalents - June 30, 2006	\$ 42,003	\$ 666,735	\$ 367,125	\$ 1,075,863	\$ 1,107

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUNDS
For The Year Ended June 30, 2006
(Continued)

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Governmental Activities- Internal Service Fund</u>
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</u>	<u>Jail Canteen Fund</u>	<u>Assisted Housing Fund</u>	<u>Golf Course Fund</u>	<u>Totals</u>	<u>Self Insurance Fund</u>
Operating Income (Loss)	\$ 37,795	\$ 427,389	\$ 72,119	\$ 537,303	\$ (168,701)
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities					
Depreciation Expense		4,345	403,150	407,495	
Prior Period Adjustment - Deposit Returned to Reserves		10,439		10,439	
Change in Assets and Liabilities					
Accounts Receivable		249		249	
Inventory			2,074	2,074	
Accounts Payable		(447)	19,419	18,972	(38,842)
Accrued Payroll		1,964	1,103	3,067	
Compensated Absences Payable		(139)	18,752	18,613	
Net Cash Provided By Operating Activities	<u>\$ 37,795</u>	<u>\$ 443,800</u>	<u>\$ 516,617</u>	<u>\$ 998,212</u>	<u>\$ (207,543)</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2006

BOONE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS

June 30, 2006

	<u>Agency Funds</u>
	<u>Total</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 515,108
Accounts Receivable	<u>1,634,281</u>
Total Assets	<u>2,149,389</u>
Liabilities	
Amounts Held In Custody For Other	<u>2,149,389</u>
Total Liabilities	<u>2,149,389</u>
Net Assets	
Total Net Assets	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

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BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA.)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Under the accrual basis of accounting, revenues and expenses are recognized when earned or incurred, regardless of the timing of related cash flows. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Governmental funds are presented using the current measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when the resources are measurable and available and expenditures are recorded in the accounting period in which the related fund liability is incurred.

B. Reporting Entity

For financial reporting purpose, the Boone County Fiscal Court includes the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Blended Component Units

The following legally separate organizations provide their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. These organizations' balances and transactions are reported as though they are part of the county's primary government using the blending method.

The Boone County Public Properties Corporation (BCPP) was formed to act as an issuing agent for long-term debt, the proceeds of which are to be used for the acquisition and construction of public building facilities in Boone County, Kentucky. The governing body is the County Commissioners. Separate financial statements are not required or prepared. The BCPP is a blended component unit because the boards are the same.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

The Boone County Public Properties Corporation Golf Course (BCGC) owns and operates two golf courses on behalf of the County. The BCGC is a blended component unit because the boards are the same. In past years, BCGC has been presented on a calendar year basis.

The Boone County Assisted Housing Department provides rental assistance to low income families in Boone County, Kentucky under a contract with the U.S. Department of the Housing and Urban Development. The Boone County Assisted Housing Department is a blended component unit because the Boards are the same.

Discretely Presented Component Unit

The component unit's column in the government-wide financial statements includes the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize the organization's separateness from the fiscal court's primary government.

The Boone County Public Safety Communications Center (PSCC) was created by an intergovernmental agreement between Boone County and three cities to consolidate the communications systems and the police files and records of the County and cities. Complete audited financial statements for the component unit that issues them may be obtained at the entity's administrative office as follows:

Boone County Public Safety Communications Center
Accounting Department
8100 Ewing Blvd.
Florence, KY 41042

C. Boone County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Boone County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Boone County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities normally are supported by taxes and intergovernmental revenues. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road And Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Capital Improvements Fund - These funds are used to purchase and build capital assets. This fund tracks the funds to be used for these purposes.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, Federal Grants Fund, Mental Health Fund, Revolving Loan Fund, Earl Parker Robinson Fund, and the Boone County Public Properties Corporation Fund.

Special Revenue Funds:

The Road And Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Federal Grants Fund, Mental Health Fund, Revolving Loan Fund, and the Earl Parker Robinson Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Projects Fund:

The Capital Improvements Fund is presented as a capital projects fund. Capital projects funds are to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund:

The Boone County Public Properties Corporation Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund, intergovernmental revenue in the Assisted Housing Fund, employer and employee contributions in the Self Insurance Fund, and greens fees revenue in the Public Properties Golf Course Fund. Operating expenses for the enterprise funds include the cost of sales and services, housing assistance payments, insurance claims, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Assisted Housing Fund - The Assisted Housing Fund accounts for the activities of the Assisted Housing Department, which provides rental assistance to low-income families under a contract with the U.S. Department of the Housing and Urban Development. The Assisted Housing Department is a blended component unit of the county.

Golf Course Fund - The Public Properties Golf Course accounts for the activities of the Public Properties Golf Course, a blended component unit of the County. The Public Properties Golf Course owns and operates two golf courses. The Golf Course's financial statements are prepared for the twelve months ended June 30, 2006.

Internal Service Fund

The primary government reports the following internal service fund:

Self-Insurance Fund - The Fiscal Court maintains this internal service fund to account for the health insurance provided to employees.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary funds:

School Board Tax Fund - This fund is used to collect and remit the occupational payroll and net profit taxes collected on behalf of the Boone County Board of Education.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Fiduciary Funds (Continued)

Jail Prisoners Fund - The Jail Prisoners Fund is an agency fund that accounts for assets held by the Fiscal Court in a purely custodial nature.

Waterline Fund - The Waterline Fund is an agency fund that accounts for deposits of Boone County residents involved in the Rural Water Project.

Motor Vehicle Rental Tax Fund - This fund is used to collect and remit the rental taxes collected on behalf of Tri-County Economic Development.

Flexible Spending Account - This account provides tax-sheltered deductions to employees for dependent childcare and medical expenses.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method.

G. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government wide statement of net assets and in the respective funds.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

G. Capital Assets (Continued)

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The Fiscal Court maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except for land and roads, are depreciated. Improvements are depreciated over the estimated remaining useful lives of the related capital assets. The County has adopted the modified approach method in valuing their roads. The County manages the roads using an asset management system and preserve the roads at or above a minimum condition level established by the County. Under the modified approach, expenditures made for roads (except for additions and improvements eligible to be capitalized) are expensed in the period incurred. If a road falls below the Pavement Quality Index (PQI) and the County, due to other circumstances, does not plan on improving the road, the road will be transferred to a depreciable asset and depreciated. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-60
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 25,000	10-50

H. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Board or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

I. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

J. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

K. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The State Local Finance Officer does not require the Boone County Public Properties Corporation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to this fund and these transfers are budgeted in the governmental funds.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted, because the Fiscal Court does not approve these expenses made from these funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

L. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Boone County Fiscal Court: Boone County Water District, Boone County Extension District and the Boone County Public Library

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits and Investments

A. Deposits

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The county does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

B. Investments

Interest Rate Risk. The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

Credit Risk. KRS 66.480 limits the County's investments in the following: Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government. Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity. Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency. Bankers' acceptances for banks rate in one of the three highest categories by a nationally recognized rating agency. Commercial paper rated in the highest category by a nationally recognized agency. Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities. Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency. Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments. Also, the County is limited to investing no more than 20% in any one of four specifically mentioned investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. See the chart below for credit ratings for each individual investment type.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 2. Deposits and Investments (Continued)

B. Investments (Continued)

Investments and Credit Ratings

	Credit Rating		Fair Market	Concentrage Percentage	Maturity Date
	AAA/Aaa	N/A			
Investment Type:					
Corporate Bonds	\$	\$ 3,459,898	\$ 3,459,898	52%	Varies
Government Securities	3,170,281		3,170,281	48%	Varies
Total Investments	<u>\$ 3,170,281</u>	<u>\$ 3,459,898</u>	<u>\$ 6,630,179</u>	<u>100%</u>	

Concentration of Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. See the chart above for investments that exceed five percent or more of the total investments for the County.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2006, the County's investments were not exposed to custodial credit risk.

Note 3. Interfund Receivables/Payables

Interfund receivables and payables consist of the following at June 30, 2006:

	Beginning Balance	Additions	Reductions	Ending Balance
Interfund Receivables				
Due To General Fund	\$ 1,010,718	\$ 450,000	\$	\$ 1,460,718
Due To Public Properties	150,000			150,000
Total Interfund Receivables	<u>\$ 1,160,718</u>	<u>\$ 450,000</u>	<u>\$</u>	<u>\$ 1,610,718</u>
Interfund Payables				
Due From Golf Course Fund	1,160,718	450,000		1,610,718
Total Interfund Payables	<u>\$ 1,160,718</u>	<u>\$ 450,000</u>	<u>\$ 0</u>	<u>\$ 1,610,718</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Notes Receivable

- A.** The Walton Fire Protection District has a lease/purchase agreement with Boone County Fiscal Court for the construction of a single-level firehouse. Principal payments are due yearly with interest due semi-annually. The note matures in October 2018. The receivable balance on the lease/purchase agreement at June 30, 2006 is \$260,000 and the Walton Fire Protection District is in substantial compliance with the terms of the agreement. Principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 15,000	\$ 11,595
2008	15,000	10,995
2009	15,000	10,395
2010	15,000	9,758
2011	20,000	8,970
2012-2016	105,000	31,089
2017-2021	75,000	5,456
Totals	<u>\$ 260,000</u>	<u>\$ 88,258</u>

- B.** The Point Pleasant Fire Department has a lease/purchase agreement with Boone County Fiscal Court for the construction of a firehouse. Principal payments are due yearly with interest due monthly. The note matures in January 2011. The receivables balance on the lease/purchase agreement at June 30, 2006 is \$306,000 and the Point Pleasant Fire Department is in substantial compliance with the terms of the agreement. Principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 57,000	\$ 13,910
2008	59,000	11,060
2009	61,000	8,111
2010	63,000	5,064
2011	66,000	1,896
Totals	<u>\$ 306,000</u>	<u>\$ 40,041</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Notes Receivable (Continued)

- C. The Boone County Health Taxing District has a lease agreement with Boone County Fiscal Court for the construction of a building. Principal payments are due yearly with interest due semi-annually. The note matures in December 2012. The receivables balance on the lease agreement at June 30, 2006 is \$340,000 and the Boone County Health Taxing District is in substantial compliance with the terms of the agreement. Principal and interest payments are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 40,000	\$ 19,867
2008	40,000	17,447
2009	45,000	14,833
2010	50,000	11,875
2011	50,000	8,750
2012-2013	115,000	7,344
Totals	<u>\$ 340,000</u>	<u>\$ 80,116</u>

- D. The Boone County Fiscal Court has agreed to use a portion of the \$2,200,000 General Obligation Multi-Purpose Public Project Bond, Series 2006 to complete improvements to the Petersburg Fire Protection Firehouse and apparatus bays (the "Project"). The Petersburg Fire Protection District has determined to operate and maintain the Project and to make certain annual payments to the County. These annual payments equal Petersburg Fire District's portion of principal and interest due on these bonds. The receivables balance on the lease agreement at June 30, 2006 totaled \$1,575,000. Principal payments are due yearly with interest due semi-annually as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 53,693	\$ 58,275
2008	53,693	56,288
2009	60,852	54,302
2010	60,852	52,050
2011	60,852	49,798
2012-2016	343,636	213,368
2017-2021	418,807	144,229
2022-2026	522,615	59,467
Totals	<u>\$ 1,575,000</u>	<u>\$ 687,777</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 4. Notes Receivable (Continued)

E. Changes In Notes Receivable

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Notes Receivable	\$ 2,760,000	\$1,575,000	\$1,854,000	\$ 2,481,000	\$ 165,693

Note 5. Accounts Receivable

Accounts Receivable consists of the following at June 30, 2006:

<u>Governmental Activities:</u>	
Taxes	\$ 4,769,506
Excess Fees	218,351
Licenses and Permits	327,573
Intergovernmental	1,352,297
Charges for Services	192,663
Miscellaneous	115,532
Interest	9,015
Total	<u>\$ 6,984,937</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Reporting Entity			
Primary Government:	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 10,605,448	\$ 219,852	\$	\$ 10,825,300
Infrastructure	144,340,764	7,237,218		151,577,982
Construction In Progress	1,065,599	3,227,300		4,292,899
Total Capital Assets Not Being Depreciated	156,011,811	10,684,370		166,696,181
Capital Assets, Being Depreciated:				
Land Improvements	8,913,070			8,913,070
Building and Building Improvements	52,474,290	923,744		53,398,034
Machinery and Equipment	1,733,742	2,953,980		4,687,722
Furniture and Office Equipment	607,987	367,109		975,096
Vehicles	6,774,157	914,220	(396,251)	7,292,126
Infrastructure	174,237			174,237
Total Capital Assets Being Depreciated	70,677,483	5,159,053	(396,251)	75,440,285
Less Accumulated Depreciation For:				
Land Improvements	(895,948)	(349,134)		(1,245,082)
Building and Building Improvements	(6,695,747)	(869,358)		(7,565,105)
Machinery and Equipment	(921,887)	(112,628)		(1,034,515)
Furniture and Office Equipment	(269,427)	(95,210)		(364,637)
Vehicles	(4,703,082)	(924,806)	363,281	(5,264,607)
Infrastructure	(66,051)	(6,982)		(73,033)
Total Accumulated Depreciation	(13,552,142)	(2,358,118)	363,281	(15,546,979)
Total Capital Assets, Being Depreciated, Net	57,125,341	2,800,935	(32,970)	59,893,306
Governmental Activities Capital Assets, Net	\$213,137,152	\$ 13,485,305	\$ (32,970)	\$226,589,487

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Capital Assets (Continued)

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,396,478	\$	\$	\$ 2,396,478
Total Capital Assets Not Being Depreciated	2,396,478			2,396,478
Capital Assets, Being Depreciated:				
Land Improvements	5,523,656			5,523,656
Building and Building Improvements	2,249,488			2,249,488
Machinery and Equipment	1,132,622	56,724	(44,507)	1,144,839
Office Equipment	47,246	12,885	(16,655)	43,476
Total Capital Assets Being Depreciated	8,953,012	69,609	(61,162)	8,961,459
Less Accumulated Depreciation For:				
Land Improvements	(3,449,751)	(282,763)		(3,732,514)
Building and Building Improvements	(1,181,365)	(75,050)		(1,256,415)
Machinery and Equipment	(1,117,885)	(45,337)	44,507	(1,118,715)
Office Equipment	(38,175)	(4,345)	16,655	(25,865)
Total Accumulated Depreciation	(5,787,176)	(407,495)	61,162	(6,133,509)
Total Capital Assets, Being Depreciated, Net	3,165,836	(337,886)		2,827,950
Governmental Activities Capital Assets, Net	\$ 5,562,314	\$ (337,886)	\$ 0	\$ 5,224,428

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 443,874
Protection to Persons and Property	1,182,548
General Health and Sanitation	16,575
Social Services	30,029
Parks and Recreation	207,494
Roads, Including Depreciation of General Infrastructure Assets	264,450
Capital Projects	<u>213,148</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,358,118</u></u>

Business-Type Activities

Jail Canteen	\$
Assisted Housing	4,345
Golf Course	<u>403,150</u>
Total Depreciation Expense - Business-Type Activities	<u><u>\$ 407,495</u></u>

Capital asset activity for the discretely presented component unit for the year ended June 30, 2006 was as follows:

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets, Being Depreciated:				
Machinery and Equipment	\$ 140,021	\$	\$	\$ 140,021
Furniture and Office Equipment	5,764,734	102,045		5,866,779
Vehicles	9,910			9,910
Total Capital Assets Being Depreciated	5,914,665	102,045		6,016,710
Less Accumulated Depreciation For:				
Machinery and Equipment	(129,297)	(4,189)		(133,486)
Furniture and Office Equipment	(4,234,092)	(695,180)		(4,929,272)
Vehicles	(5,946)	(1,983)		(7,929)
Total Accumulated Depreciation	<u>(4,369,335)</u>	<u>(701,352)</u>		<u>(5,070,687)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,545,330</u>	<u>(599,307)</u>		<u>946,023</u>
Capital Assets, Net	<u><u>\$ 1,545,330</u></u>	<u><u>\$ (599,307)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 946,023</u></u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 6. Capital Assets (Continued)

Depreciation expense was charged to functions of the discretely presented major component unit as follows:

Component Unit	<u>\$ 701,352</u>
Total Depreciation Expense - Component Unit	<u><u>\$ 701,352</u></u>

Note 7. Accounts Payable

Accounts Payable consists of the following at June 30, 2006:

Governmental Activities:

General Government	\$ 55,617
Protection To Persons and Property	132,617
General Health and Sanitation	103,764
Social Services	60,136
Recreation and Culture	54,108
Roads	218,563
Capital Projects	477,021
Administration	<u>50,692</u>
Total	<u><u>\$ 1,152,518</u></u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt

A. Series 1999 – General Fund

The County issued General Obligation Public Project Bonds for the purpose of acquiring and financing certain improvements and to retire outstanding Bond Anticipation Notes. These bonds were dated April 1, 1999. These bonds were issued at interest rates ranging from 3.25% to 4.85%, and will be retired by November 1, 2019. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 630,000	\$ 76,095
2008	655,000	50,395
2009	680,000	23,695
2010	15,000	9,758
2011	20,000	8,970
2012-2016	105,000	31,089
2017-2020	75,000	5,456
Totals	<u>\$ 2,180,000</u>	<u>\$ 205,458</u>

B. Series 2001 – General Fund

The County issued General Obligation Bonds for the purpose of discharging the outstanding amount of the Boone County Public Properties Corporation Multiple Projects Revenue Bonds, Series 1992. The series 2001 dated June 1, 2001, were issued at various interest rates ranging from 4.0% to 4.375%, and will be retired by December 1, 2012. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 370,000	\$ 113,012
2008	385,000	97,912
2009	405,000	82,112
2010	420,000	65,613
2011	430,000	48,344
2012-2013	915,000	40,298
Totals	<u>\$ 2,925,000</u>	<u>\$ 447,291</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

C. Series 2002 – General Fund

The County issued General Obligation Bonds for the purpose of building a Public Safety Complex. The series 2002 dated April 18, 2002, were issued at various interest rates ranging from 3.0% to 5.0% and will be retired by April 1, 2022. Interest payments are due April 1 and October 1, with principal payments due April 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 775,000	\$ 766,968
2008	800,000	737,905
2009	835,000	705,905
2010	865,000	672,505
2011	900,000	637,905
2012-2016	5,120,000	2,583,855
2017-2021	6,375,000	1,323,750
2022	1,465,000	73,251
	<u>\$ 17,135,000</u>	<u>\$ 7,502,044</u>

D. Series 2002 – General Fund

The County issued General Obligation Bonds for the purpose of installing a water system and the Maplewood Educational Facility Project. The series 2002 dated October 2, 2002, were issued at various interest rates ranging from 3.5% to 4.5% and will be retired by August 1, 2027. Interest payments are due February 1 and August 1, with principal payments due August 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 160,000	\$ 227,463
2008	165,000	221,775
2009	170,000	215,913
2010	175,000	209,875
2011	180,000	203,213
2012-2016	1,025,000	898,763
2017-2021	1,260,000	664,769
2022-2026	1,580,000	349,425
2027-2028	735,000	33,410
Totals	<u>\$ 5,450,000</u>	<u>\$ 3,024,606</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

E. Series 2003C – General Fund

The County issued General Obligation Bonds for the purpose of the construction of the Law Enforcement and Detention Center. The series 2003C dated October 2004 was issued at various interest rates ranging from 2.75% to 4.25%, and will be retired by December 1, 2021. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 280,000	\$ 213,638
2008	290,000	205,800
2009	300,000	197,688
2010	305,000	189,369
2011	315,000	180,450
2012-2016	1,755,000	728,106
2017-2020	2,145,000	33,716
2021-2022	485,000	10,305
Totals	<u>\$ 5,875,000</u>	<u>\$ 1,759,072</u>

F. Series 2003A – General Fund

The County issued General Obligation Bonds for the purpose of refinancing the special revenue bonds for the sewer system. The series 2005A dated October 2005, was issued at various interest rates ranging from 2.00% to 2.5% and will be retired by December 1, 2007. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 1,440,000	\$ 81,325
2008	1,405,000	17,562
Totals	<u>\$ 2,845,000</u>	<u>\$ 98,887</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

G. Series 2006 General Obligation Multi-Purpose Public Project Bonds – General Fund

The County issued General Obligation Multi-Purpose Public Project Bonds for the purpose of financing a fire station, library, and community center in Petersburg, Kentucky. The series dated March 1, 2006 were issued with an interest rate of 3.7% and will be retired by March 1, 2026. Interest payments are due on March 1 and September 1 with principal payments due March 1 of each year. Principal payments and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 75,000	\$ 81,400
2008	75,000	78,625
2009	85,000	75,850
2010	85,000	72,705
2011	85,000	69,560
2012-2016	480,000	298,040
2017-2021	585,000	201,465
2022-2026	730,000	83,060
Totals	<u>\$ 2,200,000</u>	<u>\$ 960,705</u>

H. Special Revenue Bonds – Public Properties Corporation

The County has issued bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2006, are as follows:

Purpose	Rates	Amount
Justice Center	4.00 - 5.125%	\$ 13,360,000

The minimum obligations at June 30, 2006 for debt service of these bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 540,000	\$ 627,519
2008	550,000	605,444
2009	575,000	582,094
2010	600,000	557,119
2011	640,000	530,219
2012-2016	3,635,000	2,177,064
2017-2021	4,625,000	1,169,331
2022-2023	2,195,000	113,902
Totals	<u>\$ 13,360,000</u>	<u>\$ 6,362,692</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

I. Revenue Refunding Bonds – Golf Course

In June 1998, the Golf Course sold \$8,060,000 of its Revenue Refunding Bonds for the purpose of refunding, in advance of maturity, the Golf Course's outstanding Certificates of Participation dated April 1, 1992, in the principal amount of \$8,100,000. The Series 1998, dated June 1, 1998, were issued at various interest rates ranging from 4.30% to 4.80% and will be retired by June 2012. The Series 1998 Bonds are scheduled to mature as follows:

Fiscal Year Ended June 30	Business-Type Activities	
	Principal	Interest
2007	\$ 560,000	\$ 191,385
2008	585,000	166,195
2009	610,000	139,600
2010	635,000	111,270
2011	665,000	81,038
2012-2013	1,370,000	64,865
Totals	<u>\$ 4,425,000</u>	<u>\$ 754,353</u>

J. Note Payable – General Fund

The County has a note payable to an individual for the purchase of 67 acres of land. The note is due in annual installments of \$160,797 plus interest of 4%. The note payable balance is \$643,189 at June 30, 2006. Principal payment requirements and scheduled interest for the retirement of the note are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 160,797	\$ 25,728
2008	160,797	19,296
2009	160,797	12,864
2010	160,798	6,432
Totals	<u>\$ 643,189</u>	<u>\$ 64,320</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

K. Note Payable – General Fund

The County has a note payable for the purpose of water and sewer projects. The note bears interest at 3.25%. Principal and interest payments are due March 1 and September 1. Principal payment requirements and scheduled interest for the retirement of the note are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 261,678	\$ 35,523
2008	265,586	26,946
2009	310,000	17,956
2010	320,000	7,800
	<u>\$ 1,157,264</u>	<u>\$ 88,225</u>

L. Capital Lease Purchase Agreement – General Fund

The County entered into a lease-purchase agreement for the Point Pleasant Fire Department. The lease term for this agreement is 20 years with the balance to be paid in full January 20, 2011. The total balance of the agreement is \$306,000 as of June 30, 2006.

The following is a schedule of future minimum lease payments as of June 30, 2006:

Fiscal Year Ended June 30	Governmental Activities
2007	\$ 65,797
2008	71,271
2009	70,363
2010	69,357
2011	<u>69,253</u>
Total Minimum Lease Payment	<u>346,041</u>
Less: Interest	<u>40,041</u>
Present Value of Minimum Lease Payments	<u>\$ 306,000</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

M. Golf Course

During 2005, the Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 4 years. The total balance of the agreement is \$19,425 as of June 30, 2006.

During 2006, the Golf Course entered into a lease-purchase agreement for equipment. The lease term for this agreement is 5 years. The total balance of the agreement is \$41,074 as of June 30, 2006.

The following is a schedule of future minimum lease payments as of June 30, 2006:

Fiscal Year Ended June 30	Business-Type Activities
2007	\$ 17,165
2008	21,877
2009	11,019
2010	10,541
2011	<u>6,116</u>
Total Minimum Lease Payment	<u>66,718</u>
Less: Interest	<u>6,219</u>
Present Value of Minimum Lease Payments	<u>\$ 60,499</u>

N. Kentucky Infrastructure Authority – Infrastructure Revolving Loan Fund

In May 2006, the county entered into an assistance agreement with the Kentucky Infrastructure Authority (KIA) for the acquisition and construction of certain water facilities and to improve the county's water service system. The KIA loan shall not exceed \$2,548,148 and bears an interest rate of 2.71% commencing with the first draw of funds. The loan term for this agreement is 30 years and principal and interest payments are due on June 1 or December 1. Principal payments are due following the last draw of funds. As of June 30, 2006 the county had borrowed \$858,718.

O. General Obligation Bonds - Series 2003B

The Public Safety Communications Center issued General Obligation Bonds to refinance bonds which were issued for the Mobile Data Terminals (MDT) and MDT infrastructures. The series 2003B dated October, 2004, was issued at an interest rate of 2.00% and will be retired by December 1, 2007. Interest payments are due by June 1 and December 1, with principal payments due December 1 of each year. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

O. General Obligation Bonds - Series 2003B (Continued)

Fiscal Year Ended June 30	Discretely Presented Component Unit	
	Principal	Interest
2007	\$ 455,000	\$ 8,650
2008	205,000	2,050
	<u>\$ 660,000</u>	<u>\$ 10,700</u>

P. Note Payable

The Public Safety Communications Center has a note payable for the purchase of a new phone switch. The note bears interest at 3.25%. Principal and interest payments are due March 1 and September 1. Principal payment requirements and scheduled interest for the retirement of the note are as follows:

Fiscal Year Ended June 30	Discretely Presented Component Unit	
	Principal	Interest
2007	\$ 33,322	\$ 1,933
2008	34,414	841
	<u>\$ 67,736</u>	<u>\$ 2,774</u>

Q. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 39,990,000	\$ 2,200,000	\$ 3,580,000	\$ 38,610,000	\$ 3,730,000
Revenue Bonds (Restated)	13,880,000		520,000	13,360,000	540,000
Notes Payable	2,218,986		418,533	1,800,453	422,475
Capital Lease	360,000		54,000	306,000	57,000
KIA Revolving Loan		858,718		858,718	
Governmental Activities					
Long-Term Liabilities	<u>\$ 56,448,986</u>	<u>\$ 3,058,718</u>	<u>\$ 4,572,533</u>	<u>\$ 54,935,171</u>	<u>\$ 4,749,475</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 8. Long-term Debt (Continued)

Q. Changes In Long-term Liabilities (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
Revenue Bonds	\$ 4,960,000	\$	\$ 535,000	\$ 4,425,000	\$ 560,000
Capital Lease	28,720	41,074	9,295	60,499	14,669
Business-Type Activities Long-Term Liabilities	<u>\$ 4,988,720</u>	<u>\$ 41,074</u>	<u>\$ 544,295</u>	<u>\$ 4,485,499</u>	<u>\$ 574,669</u>
<u>Discretely Presented Component Unit</u>					
General Obligation Bonds	\$ 1,105,000	\$	\$ 445,000	\$ 660,000	\$ 455,000
Notes Payable	100,000		32,264	67,736	33,322
Discretely Presented Component Unit Long-Term Liabilities	<u>\$ 1,205,000</u>	<u>\$</u>	<u>\$ 477,264</u>	<u>\$ 727,736</u>	<u>\$ 488,322</u>

Note 9. Interest On Long-term Debt and Financing Obligations

Debt Service on the Statement of Activities includes \$2,193,727 in interest on financing obligations, bonds, and notes.

Note 10. Compensated Absences Payable

Changes in the County's compensated absences during fiscal year 2006 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Expected To Be Paid Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Compensated Absences Payable	<u>\$ 642,082</u>	<u>\$ 8,818</u>	<u>\$ 49,603</u>	<u>\$ 601,297</u>	<u>\$ 2,349</u>

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 11. Operating Leases

- A. The county owns the Maplewood Educational Facility and leases it to the Boone County Board of Education. The lease expires in January 2024. Rental income for the year ended June 30, 2006 was \$543,679. The future minimum lease payments to be received are as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 19,623	\$ 21,081
2008	22,306	22,098
2009	23,284	21,120
2010	24,305	20,099
2011	25,371	19,033
2012-2016	144,556	77,464
2017-2021	179,160	42,860
2022-2024	105,074	5,936
	<u>\$ 543,679</u>	<u>\$ 229,691</u>

- B. The fiscal court entered into a lease agreement for a tractor mower. The total expense related to this lease was \$29,847 for the fiscal year ended June 30, 2006. The future minimum lease payments for this lease is as follows:

<u>Fiscal Year Ended June 30</u>	<u>Principal and Interest</u>
2007	\$ 9,949
2008	9,949
2009	9,949
	<u>\$ 29,847</u>

Note 12. Employee Retirement System

The fiscal court and the discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 12. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 13. Deferred Compensation

On February 24, 2000, the Boone County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 14. Insurance

For the fiscal year ended June 30, 2006, Boone County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 15. Prior Period Adjustments

Governmental Activities and Fund Financials

Net assets as of July 1, 2005 have been restated in the amount of \$1,476,455. The restatement was needed to correct the reporting error of the Motor Vehicle License Fund from a special revenue fund in the prior year to a fiduciary fund in the current year and also to correct the reporting error of the Self-Insurance Fund from an enterprise fund in the prior year to an internal service fund in the current year. Additional adjustments were needed to correct errors in the reporting of capital assets, accounts receivables, and accounts payables in the prior year.

BOONE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2006
(Continued)

Note 15. Prior Period Adjustments (Continued)

Governmental Activities and Governmental Funds (Continued)

Additionally, fund balances as of July 1, 2005 have been restated for the General, Jail, Capital Improvements, and Mental Health Fund in the amount of \$9,988,938, \$429, \$162,004, and \$3,293, respectively. The General Fund was restated to exclude a defeased debt account balance totaling \$9,986,731 and to correct recording errors in the prior year totaling \$2,207. The defeased debt was set aside to pay off old bonds. The other funds were restated to correct errors in prior year surplus and to correct errors in accounts receivables and accounts payables in the prior year.

Business - Type Activities and Proprietary Funds

For the year ended June 30, 2005, the Assisted Housing Department program had the following corrections:

- The program was informed by HUD that the year end settlement calculation was changed.
- The program determined that the accounts payable to the fiscal court was incorrect. The program had been carrying an amount due for rent that was previously paid.
- The program received funds from the rent deposit program that were returned to reserves.

Therefore, the net asset balance as of July 1, 2005 has been restated by \$14,307 for these corrections. Additionally, the net asset balance has been restated by \$269,602 in order to exclude the Self-Insurance Fund as a business-type activity. This fund was included as an enterprise fund in error in the prior year and has been presented as an internal service fund in the current year. The effect of the restatements was an increase to net assets of \$255,295.

Note 16. Subsequent Events

A. New Bond Issue

The County issued General Obligation Public Project Bonds, Series 2007 in the amount of \$7,000,000. The bonds were issued for the purpose of financing a public works facility and a fire-training center. The series dated February 6, 2007 were issued with an interest rate of 3.7% and will be retired by February 1, 2027. Interest payments are due on August 1 and February 1 with principal payments due February 1 of each year.

B. Kentucky Infrastructure Authority Revolving Loan

The County entered into a revolving loan agreement with the Kentucky Infrastructure Authority in May 2006. The terms of this agreement are described in Note 7 N. The county borrowed funds totaling \$858,718 as of June 30, 2006. The county borrowed an additional \$1,647,400 subsequent to the fiscal year end, leaving a total borrowed amount of \$2,506,118. Principal payments began in December 2007.

Note 17. Component Unit's Audit Reports

Audited financial statements for the Boone County Public Properties Corporation, Boone County Public Properties Corporation Golf Course, and the Boone County Assisted Housing Department may be requested by contacting the Boone County Treasurer, PO Box 792, 303 Court Street, Covington, KY 41012.

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BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2006

BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information

For The Year Ended June 30, 2006

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 28,503,000	\$ 28,503,000	\$ 28,235,377	\$ (267,623)
In Lieu Tax Payments	80,000	80,000	88,846	8,846
Excess Fees	1,345,000	1,345,000	1,129,207	(215,793)
Licenses and Permits	1,605,000	1,605,000	1,755,779	150,779
Intergovernmental Revenue	2,429,176	2,429,176	2,292,406	(136,770)
Charges for Services	2,116,661	2,116,661	2,531,728	415,067
Miscellaneous	670,595	670,595	669,425	(1,170)
Interest	300,400	300,400	581,612	281,212
Total Revenues	37,049,832	37,049,832	37,284,380	234,548
EXPENDITURES				
General Government	4,660,716	4,730,119	4,443,486	286,633
Protection to Persons and Property	9,093,604	9,093,604	9,038,472	55,132
General Health and Sanitation	554,850	554,850	441,674	113,176
Social Services	617,452	620,754	415,426	205,328
Recreation and Culture	1,769,076	1,797,576	1,648,794	148,782
Debt Service	1,621,521	1,621,521	1,621,518	3
Administration	15,379,881	15,278,676	11,658,089	3,620,587
Total Expenditures	33,697,100	33,697,100	29,267,459	4,429,641
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	3,352,732	3,352,732	8,016,921	4,664,189
OTHER FINANCING SOURCES (USES)				
Bond Principal Payments	(3,580,000)	(3,580,000)	(3,580,000)	
Notes Payable Principal Payments	(257,736)	(257,736)	(257,736)	
Capital Lease Principal Payments	(54,000)	(54,000)	(54,000)	
Transfers From Other Funds			283,960	283,960
Transfers To Other Funds	(4,960,996)	(4,960,996)	(4,418,960)	542,036
Total Other Financing Sources (Uses)	(8,852,732)	(8,852,732)	(8,026,736)	825,996
Net Changes in Fund Balance	(5,500,000)	(5,500,000)	(9,815)	5,490,185
Fund Balance - Beginning (Restated)	5,500,000	5,500,000	8,272,043	2,772,043
Fund Balance - Ending	\$ 0	\$ 0	\$ 8,262,228	\$ 8,262,228

BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2006
(Continued)

ROAD AND BRIDGE FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Licenses and Permits	\$ 150,000	\$ 150,000	\$ 116,021	\$ (33,979)
Intergovernmental Revenue	2,202,908	2,202,908	2,037,298	(165,610)
Charges For Services	175,000	175,000	178,458	3,458
Miscellaneous	396,000	396,000	538,554	142,554
Interest	10,000	10,000	27,442	17,442
Total Revenues	<u>2,933,908</u>	<u>2,933,908</u>	<u>2,897,773</u>	<u>(36,135)</u>
EXPENDITURES				
Roads	9,282,396	9,282,396	5,745,145	3,537,251
Debt Service	50,000	50,000		50,000
Total Expenditures	<u>9,332,396</u>	<u>9,332,396</u>	<u>5,745,145</u>	<u>3,587,251</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(6,398,488)</u>	<u>(6,398,488)</u>	<u>(2,847,372)</u>	<u>3,551,116</u>
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	1,750,000	1,750,000		(1,750,000)
Principal On Notes	(125,000)	(125,000)		125,000
Transfers From Other Funds	4,573,488	4,573,488	2,985,000	(1,588,488)
Total Other Financing Sources (Uses)	<u>6,198,488</u>	<u>6,198,488</u>	<u>2,985,000</u>	<u>(3,213,488)</u>
Net Changes in Fund Balance	(200,000)	(200,000)	137,628	337,628
Fund Balance - Beginning	<u>200,000</u>	<u>200,000</u>	<u>230,348</u>	<u>30,348</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 367,976</u>	<u>\$ 367,976</u>

BOONE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information
For The Year Ended June 30, 2006
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 3,935,000	\$ 3,935,000	\$ 2,685,782	\$ (1,249,218)
Charges for Services	261,992	261,992	243,449	(18,543)
Miscellaneous	130,000	130,000	128,387	(1,613)
Interest	2,000	2,000	4,386	2,386
Total Revenues	<u>4,328,992</u>	<u>4,328,992</u>	<u>3,062,004</u>	<u>(1,266,988)</u>
EXPENDITURES				
Protection to Persons and Property	3,770,000	3,770,000	2,985,591	784,409
Administration	1,046,500	1,046,500	699,714	346,786
Total Expenditures	<u>4,816,500</u>	<u>4,816,500</u>	<u>3,685,305</u>	<u>1,131,195</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(487,508)</u>	<u>(487,508)</u>	<u>(623,301)</u>	<u>(135,793)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	<u>387,508</u>	<u>387,508</u>	<u>700,000</u>	<u>312,492</u>
Total Other Financing Sources (Uses)	<u>387,508</u>	<u>387,508</u>	<u>700,000</u>	<u>312,492</u>
Net Changes in Fund Balance	(100,000)	(100,000)	76,699	176,699
Fund Balance - Beginning (Restated)	<u>100,000</u>	<u>100,000</u>	<u>110,824</u>	<u>10,824</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 187,523</u>	<u>\$ 187,523</u>

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2006

1. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Boone County budget is adopted on a cash basis of accounting according to the laws of Kentucky. The fund statements are presented on a modified accrual basis of accounting as required by generally accepted accounting principles. The following schedule reconciles the actual results of the two statements:

2. Reconciliations

	<u>General Fund</u>	<u>Road and Bridge Fund</u>	<u>Jail Fund</u>
<u>Revenues</u>			
Schedule of Revenues, Expenditures and Changes In Fund Balances -			
Budget And Actual	\$ 37,284,380	\$ 2,897,773	\$ 3,062,004
Accounts Receivable 6/30/2005	(5,153,385)	(438,054)	(190,360)
Accounts Receivable 6/30/2006	5,145,371	592,114	686,763
Surplus Property Sales	(17,169)	(25,108)	
Rounding Adjustment			1
	<u> </u>	<u> </u>	<u> </u>
Schedule of Revenues, Expenditures and Changes In Fund Balances -			
Governmental Funds	<u>\$ 37,259,197</u>	<u>\$ 3,026,725</u>	<u>\$ 3,558,408</u>
<u>Expenditures</u>			
Schedule of Revenues, Expenditures and Changes In Fund Balances -			
Budget And Actual	\$ 29,267,459	\$ 5,745,145	\$ 3,685,305
Accounts Payable 6/30/2005	(216,382)	(181,080)	(79,365)
Accounts Payable 6/30/2006	190,499	210,039	103,761
Accrued Payroll 6/30/2005	(98,548)	(33,271)	(36,445)
Accrued Payroll 6/30/2006	128,842	45,379	47,798
Compensated Absences			
Payable 6/30/05	(318,652)	(166,414)	(44,681)
Compensated Absences			
Payable 6/30/06	342,904	191,128	67,265

BOONE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2006
(Continued)

2. Reconciliations (Continued)

	General Fund	Road and Bridge Fund	Jail Fund
<u>Expenditures (Continued)</u>			
Bond Principal Payments	\$ 3,580,000	\$	\$
Notes Payable Principal Payments	257,736		
Capital Lease Principal Payments	54,000		
Reclass Of Reimbursements	(5,264)		
Rounding Adjustment	(1)		2
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 33,182,593</u>	<u>\$ 5,810,926</u>	<u>\$ 3,743,640</u>
<u>Other Financing Sources (Uses)</u>			
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget And Actual	\$ (8,026,736)	\$ 2,985,000	\$ 700,000
Bond Principal Payments	3,580,000		
Notes Payable Principal Payments	257,736		
Capital Lease Principal Payments	54,000		
Proceeds From Sale Of Capital Assets	17,169	25,108	
Transfer Out To The Golf Course Fund	450,000		
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ (3,667,831)</u>	<u>\$ 3,010,108</u>	<u>\$ 700,000</u>
<u>Ending Balance</u>			
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget And Actual	\$ 8,262,228	\$ 367,976	\$ 187,523
Notes Receivable Balance	906,000		
Accounts Receivable Balance	5,145,371	592,114	686,763
Due From Boone County Golf Course	1,460,718		
Restricted Cash Balance	47,179		
Accounts Payable Balance	(190,499)	(210,039)	(103,761)
Accrued Payroll Balance	(128,842)	(45,379)	(47,798)
Compensated Absences Payable Balance	(342,904)	(191,128)	(67,265)
Rounding Adjustment			(1)
Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds	<u>\$ 15,159,251</u>	<u>\$ 513,544</u>	<u>\$ 655,461</u>

BOONE COUNTY FISCAL COURT
CONDITION RATING OF THE COUNTY'S STREET SYSTEM

Percentage of Lane-Miles in Good or Better Condition		
2006	2005	2004
99%	99%	98%

Percentage of Lane-Miles in Substandard Condition		
2006	2005	2004
1%	1%	2%

Comparison of Needed-to-Actual Maintenance/Preservation			
	2006	2005	2004
<u>Bridges</u>			
Needed	\$	\$ 400,000	\$ 200,000
Actual		374,662	50,535
<u>Roads</u>			
Needed	668,369	617,500	604,120
Actual	425,968	472,597	604,893
<u>Subdivisions</u>			
Needed	2,673,477	2,470,000	2,141,880
Actual	1,703,872	1,890,390	2,144,622

Note: The condition of road pavement is measured using the Stantec pavement management system, which is based on the deterioration potential of the pavement of each road. This pavement management system uses a measurement scale based on a pavement quality index (PQI) ranging from 2.0 for a failed pavement to 10.0 for perfect conditions. The County has established a minimum PQI for collector roads to be 7.0 and local roads to be 6.0. When a road is scheduled to fall below minimum PQI in a given fiscal year, the road will be scheduled to be rehabilitated in that year.

**BOONE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information**

June 30, 2006

BOONE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

June 30, 2006

	LGEA Fund	Federal Grants Fund	Mental Health Fund	Revolving Loan Fund
ASSETS				
Cash and Cash Equivalents	\$ 40,155	\$	\$ 778,080	\$
Investments				
Accounts Receivable		73,974	486,715	
Due from Boone County				
Golf Course				
Total Assets	<u>\$ 40,155</u>	<u>\$ 73,974</u>	<u>\$ 1,264,795</u>	<u>\$ 0</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 8,524	\$	\$ 162,674	\$
Due To The Capital				
Improvements Fund		73,974		
Total Liabilities	<u>8,524</u>	<u>73,974</u>	<u>162,674</u>	
FUND BALANCES				
Unreserved:				
Special Revenue Funds	31,631		1,102,121	
Debt Service Fund				
Total Fund Balances	<u>31,631</u>		<u>1,102,121</u>	
Total Liabilities and Fund Balances	<u>\$ 40,155</u>	<u>\$ 73,974</u>	<u>\$ 1,264,795</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
June 30, 2006
(Continued)

Earl Parker Robinson Fund	Boone County Public Properties Corporation Fund	Total Non-Major Governmental Funds
\$ 294,623	\$ 651	\$ 1,112,858
		651
		560,689
	150,000	150,000
<u>\$ 294,623</u>	<u>\$ 150,651</u>	<u>\$ 1,824,198</u>
\$	\$	\$ 171,198
		73,974
		<u>245,172</u>
294,623	150,651	1,428,375
		150,651
<u>294,623</u>	<u>150,651</u>	<u>1,579,026</u>
<u>\$ 294,623</u>	<u>\$ 150,651</u>	<u>\$ 1,824,198</u>

The accompanying notes are an integral part of the financial statements.

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BOONE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2006

BOONE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information

For The Year Ended June 30, 2006

	LGEA Fund	Federal Grants Fund	Mental Health Fund	Revolving Loan Fund
REVENUES				
Taxes	\$	\$	\$ 1,949,532	\$
Intergovernmental	186,353	3,252,345		
Miscellaneous			8,519	
Interest	3,105		39,798	4,132
Total Revenues	<u>189,458</u>	<u>3,252,345</u>	<u>1,997,849</u>	<u>4,132</u>
EXPENDITURES				
Protection to Persons and Property		2,839,598		
General Health and Sanitation			1,371,698	
Social Services			628,712	
Roads	238,948			
Debt Service				
Administration			107,194	
Total Expenditures	<u>238,948</u>	<u>2,839,598</u>	<u>2,107,604</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(49,490)</u>	<u>412,747</u>	<u>(109,755)</u>	<u>4,132</u>
OTHER FINANCING SOURCES (USES)				
Transfers To Other Funds		(412,747)		(90,718)
Total Other Financing Sources (Uses)		<u>(412,747)</u>		<u>(90,718)</u>
Net Change in Fund Balances	(49,490)		(109,755)	(86,586)
Fund Balances - Beginning	81,121		1,211,876	86,586
Fund Balances - Ending	<u>\$ 31,631</u>	<u>\$ 0</u>	<u>\$ 1,102,121</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS
Other Supplementary Information
For The Year Ended June 30, 2006
(Continued)

Earl Parker Robinson Fund	Boone County Public Properties Corporation Fund	Total Non-Major Governmental Funds
\$	\$	\$
	1,202,004	1,949,532
		4,640,702
		8,519
13,595	2,484	63,114
13,595	1,204,488	6,661,867
		2,839,598
		1,371,698
		628,712
		238,948
	1,168,719	1,168,719
	30,089	137,283
	1,198,808	6,384,958
13,595	5,680	276,909
	(54,497)	(557,962)
	(54,497)	(557,962)
13,595	(48,817)	(281,053)
281,028	199,468	1,860,079
\$ 294,623	\$ 150,651	\$ 1,579,026

The accompanying notes are an integral part of the financial statements.

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BOONE COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
Other Supplementary Information
June 30, 2006

BOONE COUNTY
COMBINING STATEMENT OF FIDUCIARY FUND NET ASSETS
Other Supplementary Information

June 30, 2006

	Agency Fund					Totals
	School Board Tax Fund	Jail Prisoners Fund	Waterline Fund	Motor Vehicle Rental Tax Fund	Flexible Spending Account	
Assets						
Current Assets:						
Cash and Cash Equivalents	\$ 283,503	\$ 210,162	\$ 37	\$ 5	\$ 21,401	\$ 515,108
Accounts Receivable	1,200,886			433,395		1,634,281
Total Assets	<u>\$1,484,389</u>	<u>\$ 210,162</u>	<u>\$ 37</u>	<u>\$ 433,400</u>	<u>\$ 21,401</u>	<u>\$2,149,389</u>
Liabilities						
Amounts Held In Custody For Others	\$1,484,389	\$ 210,162	\$ 37	\$ 433,400	\$ 21,401	\$2,149,389
Total Liabilities	<u>1,484,389</u>	<u>210,162</u>	<u>37</u>	<u>433,400</u>	<u>21,401</u>	<u>2,149,389</u>
Net Assets						
Total Net Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

The accompanying notes are an integral part of the financial statements.

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BOONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

BOONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2006

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department Of Housing And Urban Development</u>		
Section Eight Housing Choice Vouchers		
(CFDA #14.871)		\$ 4,684,233
Community Development Block Grant - Petersburg		
Community Center and Library		
(CFDA #14.228)		<u>412,747</u>
Total U.S. Department Of Housing And Urban Development		5,096,980
<u>U.S. Department Of Justice</u>		
Passed-Through State Department		
of Justice		
Bulletproof Vest Partnership Program		
(CFDA #16.607)	OMB# 1121-0235	9,540
Edward Byrne Memorial State and Local		
Law Enforcement Assistance Discretionary		
Grants Program		
(CFDA #16.580)	2005-DJ-BX-0584	<u>18,001</u>
Total U.S. Department Of Justice		27,541
<u>U.S. Department Of Homeland Security</u>		
Emergency Management Performance Grant		
(CFDA #97.042)	M-05029993	30,554
Passed-Through State Office		
of Homeland Security		
Homeland Security Grant Program -		
Interoperable Communications Equipment		
(CFDA #97.004)	M-04595753	2,839,598
CERT Team		
(CFDA #97.004)	M-04613160	1,667
Exercise EOC Meals		
(CFDA # 97.004)	M-05286905	421
Citizen Corp Council		
(CFDA # 97.004)	M-04608838	999

BOONE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2006
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. Department Of Homeland Security (Continued)</u>		
Passed-Through State Department Of Homeland Security Homeland Security Grant Program - Planning MOA (CFDA # 97.004)	M-04647883	\$ 2,500
Total U.S. Department Of Homeland Security		2,875,739
<u>U.S. Department Of The Interior</u>		
Passed-Through The Kentucky Heritage Council Historic Preservation Fund Grant - Federal Survey and Planning (CFDA # 15.904)	21-04-19318 KY01-00-CLG-211	9,000
<u>U.S. Election Assistance Commission</u>		
Passed-Through State Board of Elections: Help America Vote Act - Requirement Payments (CFDA # 90.401)		317,190
Total Cash Expenditures Of Federal Awards		\$ 8,326,450

BOONE COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information
Fiscal Year Ended June 30, 2006

Note 1 The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Boone County Fiscal Court and is presented on the basis of accounting described in Note 1 of the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated May 13, 2008 wherein we referred to the work of other auditors. Boone County presents its financial statements in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA), wherein, we referred to the work of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Boone County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Boone County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instance of material noncompliance or other matter that is required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 13, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, Boone County Judge/Executive
Members of the Boone County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Boone County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Boone County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Boone County's management. Our responsibility is to express an opinion on Boone County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Boone County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Boone County's compliance with those requirements.

In our opinion, Boone County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of Boone County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Boone County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.



Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Internal Control Over Compliance (Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Department for Local Government, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

May 13, 2008

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended June 30, 2006

BOONE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2006

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Boone County.
2. No reportable conditions relating to the internal control of the audit of the financial statements are reported in the Independent Auditor's Report.
3. No instances of noncompliance material to the financial statements of Boone County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Boone County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Boone County reported in Part C of this schedule.
7. The programs tested as major programs were: Section Eight Housing Choice Vouchers (CFDA #14.871), Community Development Block Grant (CFDA #14.228), Homeland Security Grant Program (CFDA #97.004), Help America Vote Act - Requirement Payments (CFDA #90.401).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Boone County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

STATE LAWS AND REGULATIONS

None

REPORTABLE CONDITIONS

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT

None

D. PRIOR YEAR FINDINGS

None

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

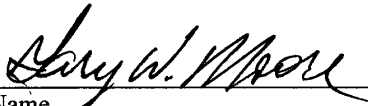
BOONE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2006**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
BOONE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2006

The Boone County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

